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Trademark Territoriality in Cyberspace: an Internet Framework for Common-Law Trademarks

Shontavia Johnson

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TRADEMARK TERRITORIALITY IN CYBERSPACE:  
AN INTERNET FRAMEWORK FOR  
COMMON-LAW TRADEMARKS

Shontavia Johnson†

ABSTRACT

The Internet has quickly become the next frontier for those seeking to take advantage of free-market competition by doing business online. In addition to having products or services to sell, an Internet presence has become critically important for businesses that want to connect with consumers near and far. While most businesses use trademarks like words, logos, slogans, and other designations to facilitate such consumer connections across the geographically borderless Internet, many of these businesses have not availed themselves of state or federal registration mechanisms for those trademarks. While unregistered trademarks, also known as common-law trademarks, have historically been entitled to legal protection in geographically delimited territorial zones, current trademark jurisprudence is grounded in the physical world and provides scant guidance on the geographic extent of common-law trademark protection in the Internet context. In addition, when such unregistered trademarks inevitably collide with other similar, unregistered trademarks in cyberspace, it is unclear whether the current law, grounded in the concurrent-use doctrine, can survive in an Internet environment. This Article analyzes previous models for evaluating unregistered trademarks used in the Internet context and proposes that these models are insufficient to deal with the myriad issues raised in cyberspace. It provides an updated model for establishing geographic rights through Internet use and offers a middle-ground approach to concurrent Internet use of common-law trademarks.
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I. INTRODUCTION

An Internet presence has essentially become a requirement of doing business for companies large and small.\(^1\) In the fast-paced business world, from startup companies and entrepreneurs to large international conglomerates, a website or a page on Facebook, Twitter, or LinkedIn may be the first public proof of a company’s existence. From the earliest stages of

business, entities are increasingly more attuned to intellectual property concerns but often perceive intellectual property protection as cost-prohibitive. As a result, many of the trademarks created to sell and market products on the Internet are used without state or federal registration. Though unregistered, these trademarks, typically referred to as “common law” trademarks, are still entitled to legal protection. Incredibly, however, American trademark law has neither clearly articulated the scope of protection for common-law trademarks used online nor provided sufficient guidance for companies that find themselves in legal conflicts over the use of such trademarks.

Consider, for example, two hypothetical companies: MidWest Clothing, Incorporated (“MidWest”) and Southern Corporation (“Southern”). MidWest has been selling various items of men’s and women’s clothing in its Nebraska-based brick-and-mortar store, named SHINY FITS, since 2010. Before opening its store, MidWest performed an Internet search and a basic word mark search on the Trademark Electronic Search System (“TESS”) for the term SHINY FITS. Finding no other uses or registrations for SHINY FITS, MidWest registered the domain name “www.shinyfits.com” in 2010 and put up a website for sales and marketing purposes. MidWest did not, however, file a trademark application with the USPTO. Because of its geographical location, MidWest originally drew customers throughout the states of Nebraska, Iowa, Missouri, and Kansas. Once MidWest’s website became popular in January of 2011, however, MidWest’s Internet sales skyrocketed. Through its website, MidWest began fulfilling purchase orders from customers residing in each of the fifty states.

Unbeknownst to MidWest, Southern has been using SHINY FITS as a logo on one of its T-shirt lines since 2008. Southern sells its T-shirts in a physical store located in South Carolina to local customers. It never occurred to Southern’s owner to file a trademark registration for SHINY FITS. Since 2009, however, it has maintained a company website, www.southernclothing.com, where consumers can view and purchase many of its T-shirts—including SHINY FITS T-shirts. Most of the website’s visitors are also based in South Carolina, but Southern occasionally fulfills a purchase order from out of state. Southern’s owner learns of MidWest’s website and sends MidWest a cease-and-desist letter alleging trademark

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infringement. Southern contends that it has established nationwide rights in SHINY FITS by virtue of the photos and marketing materials on its website.

Who should prevail in a trademark infringement lawsuit under this increasingly common set of circumstances? Southern has probably established trademark rights in South Carolina and MidWest has likely established trademark rights in Nebraska, Iowa, Missouri, and Kansas. A question remains, however, regarding the extent of trademark rights in the other forty-five states in the United States. The Internet’s vast reach could necessitate the conclusion that trademark rights have been established in other regions through actual sales or virtual connections with consumers in those locations. In addition, even if trademark rights have been established in physical states or regions through Internet use, courts have struggled with the legal impact of such a conclusion.

If a business has established trademark rights through Internet use, courts are hesitant to extend a monopoly over cyberspace, where consumers from any of the fifty states can find either business. Federal courts have had difficulty harmonizing the territorial and geographical constraints of common-law trademarks with the borderless Internet and often provide only cursory guidance. The resulting decisions have primarily served to muddy the waters for the ever-increasing numbers of entrepreneurs and businesses seeking to do business online.

This Article addresses the aforementioned questions and begins to reconcile the current state of trademark law on this issue. It provides a comprehensive analysis of the historical underpinnings of common-law trademarks, how such marks receive legal protection in the United States, and how concurrently used, common-law trademarks coexist in the traditional marketplace. In light of the Internet’s predominance in both sales, marketing, and advertising, this Article then proposes a new way of assessing both (1) the scope of protection for common-law trademarks used on the Internet and (2) simultaneous use of such marks online by multiple entities.

In Part II, this Article examines the history and policies underlying common-law trademarks. It then outlines the seminal Supreme Court cases that created the concurrent-use doctrine, which served to draw territorial boundaries around common-law trademarks. Finally, Part II addresses the

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4. See discussion infra Section II.A.
impact of the Lanham Trademark Protection Act of 1946 on the concurrent-use doctrine and common-law trademarks.

In Part III, this Article summarizes the case law and scholarship addressing common-law trademarks used on the Internet. In outlining the competing approaches, Part III aligns the historical models of trademark common law with twenty-first-century trademark issues, noting where gaps exist.

Finally, Part IV analyzes previous models for assessing common-law trademark use on the Internet and considers how they are ineffective in crafting the scope of common-law trademark protection. First, in assessing the scope of protection for common-law trademarks, the earliest historical model does not consider Internet-related advancement at all, while the most recent suggestions fail to consider the pragmatic utility of the Internet. The test proposed in Part IV provides a more complete analysis that pairs historical elements with technologically grounded considerations to determine whether a business has sufficiently penetrated the market. Second, regarding simultaneous use of common-law trademarks on the Internet, this Article proposes that such uses are not only plausible but also necessary. This Part offers suggestions for attorneys, courts, and legislatures as they work to balance the geographically limited scope of trademark common law with the borderless Internet. Part IV both provides an updated model for establishing territorial rights through Internet use and offers a middle-ground approach to concurrent Internet use of common-law trademarks.

II. A HISTORY OF TRADEMARK LAW AND THEORY

In many instances, a business’s sales emanate from a physical brick-and-mortar location. Any resulting intellectual-property rights in the trademark used to make those sales are inextricably tied to that physical location. This is because the common law traditionally limited rights in a mark to the geographical areas in which customers recognized the mark as identifying that particular business. This customer recognition, called goodwill, could

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7. Id. at 1017 (noting that the “point of sale provided an epicenter for calculating the extent to which consumers identified a seller’s trademarks with its products”); see also 5 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 26:27 (4th ed. 2000) (“[T]he territorial scope of trademark rights must be defined in terms of customer perception . . . .”).

8. Julius R. Lunsford, Jr., Trademarks: Prestige, Practice and Protection, 4 GA. L. REV. 322, 323 (1970) (“Good will is that which makes tomorrow’s business more than an accident. It is the reasonable expectation of future patronage based on past satisfactory dealings . . . . Only
only travel as far as those goods or services bearing the corresponding trademarks. As early trademark law developed prior to the ubiquity of automobiles, trains, airplanes, and the Internet, the geographical reach of such goodwill was initially quite limited. As the law was created within the confines of geographical limitations, courts could not predict the creation of a cybermarket that transcended physical borders. Today, however, businesses are not inextricably linked to a geographical location because the Internet allows a business to transcend physical boundaries. The Internet's pervasiveness offers a global, borderless dimension for marketing, advertising, and selling services and products. Trademark law, however, has not moved as quickly as technological advancement, and the application of geography-based modes of trademark protection persists even today.

Trademarks have been territorial in scope since their inception. This Part discusses how trademark owners acquire rights in common-law trademarks and how technology and mobility necessitated the creation of the “concurrent-use doctrine” to deal with the problem of multiple, but geographically distinct, uses of the same common-law trademark.

A. MARKETPLACE BASIS FOR ESTABLISHING COMMON-LAW TRADEMARKS RIGHTS

The fundamental rule of trademark ownership is that the first party to use a designation as a trademark acquires intellectual-property rights in that designation, irrespective of registration. If a party does not register the second in importance to the building of good will is the establishing of the marks by which it is fixed and visualized.”). See United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90, 97 (1918) (“There is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed.”). At least one scholar has traced Anglo-American trademark law back to the sixteenth century. See generally Keith M. Stolte, How Early Did Anglo-American Trademark Law Begin? An Answer to Schecter's Conundrum, 8 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 505 (1998). See, e.g., Johnson v. Sosebee, 397 F. Supp. 2d 706, 710 n.1 (D.S.C. 2005) 12. § 26:30.50.

13. See 5 McCARTHY, supra note 7, § 26:1–4.

14. This is typically called the first-to-use doctrine. See In re Trade-Mark Cases, 100 U.S. 82, 94 (1879) (“At common law the exclusive right to it grows out of its use, and not its mere adoption . . . . It is simply founded on priority of appropriation. We look in vain in the statute for any other qualification or condition.”) (emphasis omitted). Inherently distinctive trademarks fall squarely within this rule. On the other hand, trademarks that are not inherently distinctive must acquire secondary meaning before they are protectable. As such, rights in such marks ordinarily go to the first person to acquire secondary meaning. 2 McCARTHY, supra note 7, § 16:1. This Article presumes that a trademark is either inherently distinctive or has acquired secondary meaning.
mark, however, the unregistered, common-law trademark is geographically limited in scope. The territorial scope of protection of common-law trademarks is comprised of four interrelated zones: “sales, advertising, reputation, and expansion.” 15 The term “zone of actual goodwill” is typically used to encompass sales, advertising, and reputation, while the term “zone of natural expansion” 16 stands apart as a relatively controversial and sometimes disfavored measurement mechanism. The scope of the “zone of actual goodwill” and the “zone of natural expansion” are outlined below.

1. The Zone of Actual Goodwill

The zone of actual goodwill is typically bifurcated into (1) the zone of actual market penetration and (2) the zone of reputation. 17 A trademark owner may establish the zone of actual goodwill by making a showing of these two categories either together or independently of the other. 18

The zone of actual market penetration includes the areas where products have actually been sold to consumers. 19 Furthermore, courts have always required something more than a de minimis amount of sales. 20 Today, most jurisdictions apply some derivation of the following factors in determining the territorial limits of a trademark’s protection: (1) the amount of sales of products using the trademark, (2) positive and negative growth trends in the geographical region, (3) the number of purchasing customers compared to the total number of possible customers, (4) the amount of advertising in the geographical region, and (5) the trademark owner’s market share. 21


19. Creasman, supra note 6, at 1017–18; Cotter, supra note 17, at 492.

20. 5 McCarthy, supra note 7, § 26:13.

21. Charles Jacquin Et Cie, Inc. v. Destileria Serralles, Inc., 921 F.2d 467, 473–74 (3d Cir. 1990). The Third Circuit created the first four factors in Natural Footwear Ltd. v. Hart, 760 F.2d 1383, 1398–99 (3d Cir. 1985). The Third Circuit later added consideration of the trademark owner’s market share in Charles Jacquin, 921 F.2d at 474. Other jurisdictions assess market penetration using similar analyses. See Weiner King, Inc. v. Wiener King Corp., 615 F.2d 512, 523 (C.C.P.A. 1980) (noting “that the inquiry should focus on the party’s (1) previous business activity; (2) previous expansion or lack thereof; (3) dominance of contiguous areas; (4) presently-planned expansion; and, where applicable (5) possible market penetration by means of products brought in from other areas”); Sweetarts v. Sunline, Inc.,
Where the zone of actual market penetration is limited, the zone of reputation encompasses areas where consumers recognize the products using the trademark but are not direct consumers of those products. This zone is made of areas where goodwill has been created among consumers through mechanisms such as traditional and Internet media, advertising, and word-of-mouth. Though physical distance is a helpful starting point in determining the zone of reputation, the zone of reputation can extend much further than bordering towns or states. Unlike the early days of trademark law, perambulating customers are much more common and can transport a trademark’s goodwill thousands of miles from a brick-and-mortar location.

Some early commentators have argued that the distinction between the zone of actual market penetration and the zone of reputation should be eliminated in favor of one unified test. Eliminating the current bifurcated

380 F.2d 923, 929 (8th Cir. 1967) (finding that courts should consider the “plaintiff’s dollar value of sales at the time defendants entered the market, number of customers compared to the population of the state, relative and potential growth of sales, and length of time since significant sales”).

22. Creasman, supra note 6, at 1018; see also Hanover Star Milling Co. v. Metcalf, 240 U.S. 403, 415–16 (1916) (“Into whatever markets the use of a trademark has extended, or its meaning has become known, there will be the manufacturer or trader whose trade is pirated by an infringing use be entitled to protection and redress.”).

23. 5 Mccarthy, supra note 7, § 26:17 (“Media such as the Internet, radio and television, national magazines and newspapers can carry a mark thousands of miles away from the outlet where goods or services under the mark are offered for sale.”).

24. Creasman, supra note 6, at 1018; Cotter, supra note 17, at 492.


26. See Stork Rest., Inc. v. Sahati, 166 F.2d 348, 358 (9th Cir. 1948) (“In these days of chain restaurants, one would not have to be uncommonly naive to assume that even a ‘humble’ cafe at Turk and Hyde Streets, San Francisco, might be an unpretentious branch of a glittering New York night spot . . . . [H]owever, equity will protect even the uncommonly naive against deception from unfair competition.”).

27. 5 Mccarthy, supra note 7, §§ 26:17, 30 (“The purchasing buyer class [trade area] for services such as hotels, motels, and restaurants are ambulatory and on the move. They may carry the reputation of the mark thousands of miles away from the actual outlet.”).

28. See Gross, supra note 15, at 1110–12. This proposal for a singular “zone of consumer recognition” stems from the notion that the zone of actual market penetration and zone of reputation are both grounded in the likelihood of confusion standard and rely on the same policy considerations. Id. at 1110. The “zone of consumer recognition” analysis
system is shortsighted, however, when assessing the zone of actual goodwill in the Internet context. In particular, the zone of reputation is largely ignored by such proposals. Whereas business reputations in the late twentieth century largely stemmed from actual sales, the Internet has allowed businesses to establish lasting impressions, and thus build goodwill, even without sales.

2. The Zone of Natural Expansion

Unlike the zone of actual goodwill, which is based on the presence of the mark, the zone of natural expansion covers a geographical area completely untouched by the putative trademark owner. The zone of natural expansion provides a narrow amount of “breathing space” so that the trademark owner’s goodwill is protected for future development efforts. These development efforts must be articulable and concrete. Some courts outline specific considerations used to create boundaries for the zone of natural expansion, including:

(1) How great is the geographical distance from the trademark owner’s actual location to a point on the perimeter of the zone of expansion?

(2) What is the nature of the business? Does it already have a large or small zone of actual market penetration or reputation?

(3) What is the history of the trademark owner’s past expansion? Has it remained static for years, or has it continually expanded into new territories? Extrapolating prior expansion, how long would it take the senior user to reach the periphery of the expansion zone he claims?

(4) Would it require an unusual “great leap forward” for the trademark owner to enter the zone, or is the zone so close to

consider sales volume, market size, actual consumer confusion, some forms of advertising, and consumer travel distance. Id. at 1113–15.

29. Id. at 1110.

30. Two of the largest Internet companies in the United States have created significant reputations without selling products to consumers at all. Google, for example, is the most popular search engine both in the United States and the world. See Danny Goodwin, Google Once Again Claims 67% Search Market Share, SEARCH ENGINE WATCH (Feb. 18, 2013), http://searchenginewatch.com/article/2244472/Google-Once-Again-Claims-67-Search-Market-Share/. Similarly, Facebook has built a significant amount of goodwill, with more than one billion users regularly visiting its social media site. See The Internet’s Fantastic Four, TECHONOMY, at 5 (Nov. 11, 2012), http://techonomy.com/wp-content/uploads/2013/03/FantasticFour.pdf (transcript of the Techonomy 2012 conference).

31. Tally-Ho, Inc. v. Coast Cmty. Coll. Dist., 889 F.2d 1018, 1028 (1st Cir. 1989) (internal citation omitted).
existing locations that expansion would be (or is) a logical, gradual, step of the same length as those previously made? 32

Other courts have used a more general, fact-specific inquiry focusing on the senior user’s expansion efforts. 33

Several courts, however, have criticized the zone of natural expansion as imprecise and unpredictable. 34 First, it can be difficult for courts, attorneys, and the putative trademark owners to discern the borders of the zone. 35 In addition, it can harm a good-faith, subsequent adopter of the trademark, also known as the junior user, who has no way of predicting whether or not a particular location falls within the zone. 36

Though relatively disfavored in the brick-and-mortar context, the Internet may breathe new life into the zone of natural expansion. The zone of natural expansion only applies to areas that are not considered “remote,” and much of the criticism regarding this zone revolves around the innocent junior user being unable to discover another company’s use in a far away region of the country. 38 Given that the Internet is increasingly removing such geographical limitations, the historical criticisms carry less weight. 39 As outlined later in this Article, the differences between brick-and-mortar rationales and Internet-based considerations necessitate an updated legal model. 40

32. Id.
34. See, e.g., Raxton Corp. v. Anania Assocs., Inc., 635 F.2d 924, 930 (11th Cir. 1980) (noting that the doctrine of natural expansion is “unworkable, unfair, and, in the light of statutory protection available today, unnecessary”); Beef & Brew, Inc. v. Beef & Brew, Inc., 389 F. Supp. 179, 185 (D. Or. 1974) (“[T]he zone of [natural] expansion doctrine has a more than usually unclear place in the law of unfair competition. This is so because the doctrine is more than usually imprecise and yet very powerful. . . . [It] can easily range too far and be ‘inconsistent with the objectives of free competition.’ ”). The modern Restatement of Unfair Competition also rejects trademark rights based wholly on a zone of natural expansion. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 19 cmt. c (1995).
36. Gross, supra note 15, at 1088 (citing Raxton Corp. v. Anania Assocs., Inc., 635 F.2d 924, 930–31 (1st Cir. 1980)). In such instances, the original trademark owner’s zone of natural expansion is measured by the second-comer’s date of first use. See Tally-Ho, 889 F.2d at 1027–28.
37. Tally-Ho, 889 F.2d at 1028.
38. See, e.g., Raxton, 635 F.2d at 927–31.
39. Circuit City Stores, Inc. v. CarMax, Inc., 165 F.3d 1047, 1057 (6th Cir. 1999) (noting that, in the trademark context, “recent technological innovations such as the Internet are increasingly deconstructing geographical barriers for marketing purposes”).
40. See infra Part III.
Generally, however, the bifurcated zone of actual goodwill and the zone of natural expansion form the basis for protecting common-law trademarks, and thus unregistered trademarks, in the United States. Under the first-to-use doctrine, once a trademark owner demonstrates that it is the first to establish goodwill in either or both of these zones, it has exclusive priority in the mark in those areas for the specific category of goods or services offered using that mark. That trademark owner, however, does not have priority in the mark in other geographically remote areas. As an outgrowth of the first-to-use doctrine, the judicially created concurrent-use doctrine grants permission to other unrelated entities to use the same or a similar trademark under certain circumstances.

B. CONCURRENT USE AND THE TERRITORIAL LIMITS OF COMMON-LAW TRADEMARKS

Prior to 1870, the United States did not have a national trademark registration system. Businesses essentially sold products and services to customers within their physical reach extending from a brick-and-mortar location, and eventually the inevitable collision of common-law trademarks took place. For example, the goodwill of MidWest as it expands eastward from Nebraska is bound to collide with the goodwill of Southern’s business as it expands westward from South Carolina at some point. The response to this problem came in two different forms: (1) congressional enactment of a comprehensive federal trademark statute that included a federal registration system, and (2) judicial creation of the concurrent-use doctrine.

In 1870, Congress enacted a statute that attempted to provide nationwide trademark rights to entities that registered their marks with the United States

41. Creasman, supra note 6, at 1017–20. Jurisdictions are inconsistent, however, on whether or not the zone of natural expansion is a viable measurement mechanism. See Cotter, supra note 17, at 505–08. Some courts apply the natural expansion doctrine broadly. Tally-Ho, 889 F.2d at 1027–28; Spartan Food Sys., Inc. v. HFS Corp., 813 F.2d 1279, 1283–84 (4th Cir. 1987); Burger King of Fla., Inc. v. Brewer, 244 F. Supp. 293, 298 (W.D. Tenn. 1965). Other jurisdictions only apply the doctrine where a second-comer, or junior user, has acted in bad faith in selecting a trademark that is the same or similar to the original, or senior, user. See, e.g., MTS, Inc. v. Red Tower Records, Tapes & Video, No. 88 C 8539, 1990 WL 267423, at *6–7 (N.D. Ill. Apr. 6, 1990); beef & brew, inc. v. Beef & Brew, Inc., 389 F. Supp. 179, 185–86 (D. Or. 1974).

42. See supra note 14 and accompanying text.


44. 1 MCCARTHY, supra note 7, § 5:3.


46. See Cotter, supra note 17, at 492.
This first federal trademark statute was enacted under Article I, Section 8, Clause 8 of the U.S. Constitution, which empowers Congress “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”

In *In re Trade-Mark Cases*, however, the Supreme Court held that the recently enacted statute was unconstitutional, despite its noble purpose. In striking down the statute, the Supreme Court noted that Article I, Section 8, Clause 8 only protects writings that “are the fruits of intellectual labor, embodied in the form of books, prints, engravings, and the like.” Trademarks, according to the Supreme Court, did not fall into these categories. As such, Congress did not have the power to create a trademark statute under Article I, Section 8, Clause 8. The Supreme Court was also concerned that Congress had undertaken to regulate both intrastate and interstate commerce under the Commerce Clause, which was unconstitutional. A comprehensive trademark statute would not be enacted under the Commerce Clause until the Lanham Act almost eighty years later.

49. *In re Trade-Mark Cases*, 100 U.S. 82 (1879).
50. *Id.* at 94.
51. In particular, the Supreme Court was concerned that the new statute conflicted with the fundamental principle of common-law trademarks, in which rights to a trademark stem from use, not adoption. *Id.* The subjects of Article I, Section 8, Clause 8 have no such use limitation.
52. See *id.* at 96–97 (“[I]f it be apparent that [a statute] is designed to govern the commerce wholly between citizens of the same State, it is obviously the exercise of a power not confided to Congress. We find no recognition of this principle in the chapter on trademarks in the Revised Statutes.”). The Commerce Clause provides that “[Congress shall have Power] To regulate Commerce with foreign Nations, and among the several States, and with the Indian tribes.” U.S. CONST. art. I, § 8, cl. 3. The Supreme Court went on to caution that Congress should only create a trademark law that would fall within the ambit of the Commerce Clause. *Trade-Mark Cases*, 100 U.S. at 96.
53. See Lanham Act, 15 U.S.C. §§ 1051–1129 (2012). This new statute grounded many of its rules in the common law of trademarks. See Ginsburg et al., supra note 45, at 16. There had been earlier trademark statutes, but none of these provided for nationwide protection of trademarks. The first federal trademark registration statute was passed in 1881. Act of Mar. 3, 1881, ch. 138, 21 Stat. 502. This statute, however, did not apply to interstate commerce, and did little to assuage businesses’ concerns regarding trademark protection. 1 McCARTHY, supra note 7, § 5:3 (noting that “American business chafed under the totally inadequate provisions of the 1881 Act”). The second federal trademark statute was passed in 1905 and amended in 1920. Act of Feb. 20, 1905, ch. 592, 33 Stat. 724 (amended by Act of Mar. 19, 1920, ch. 104, 41 Stat. 533). There were still issues with these iterations, because, among other things, only technical marks were registrable, there was no meaningful way to
The Lanham Act was created to provide greater consistency in a nation with growing interstate commerce and more societal mobility. It provides nationwide trademark rights for those applicants that are successful in prosecuting a trademark before the USPTO. A trademark registered before the USPTO gives constructive notice of the registrant’s claim of ownership to everyone in the United States. Registration, therefore, is a powerful sword possessed, and sometimes wielded, by the trademark owner.

Even given the significant geographical benefits provided by registration, however, the use of unregistered trademarks persists. There may be any number of reasons why an entity does not take advantage of the USPTO registration system. Perhaps it filed a trademark application in the USPTO but was unsuccessful. Maybe it believed that trademark counsel would be too expensive. Or, it may simply have no understanding of intellectual identify abandoned trademarks, and service marks were not registrable. 1 MCCARTHY, supra note 7, § 5:3.

55. Of course, an applicant is not entitled to a trademark registration. The application process can be rigorous, and the trademark application may be denied for a myriad of reasons. See Cotter, supra note 17, at 492 n.24.
57. A federal trademark registration completely eliminates the territorial limitations suffered by common-law trademarks. 5 MCCARTHY, supra note 7, § 26:31 (“a federally registered mark has nationwide protection regardless of the territory in which the registrant actually used the mark”).
58. Any estimation on the number of unregistered trademarks being used would be purely anecdotal, if not impossible, to discern. Courts have noted the sheer difficulty in finding even one specific unregistered mark. In Big Time Worldwide Concert & Sport Club at Town Center, L.L.C. v. Marriott International Inc., 236 F. Supp. 2d 791, 806 (E.D. Mich. 2003), the district court recognized that one party’s inability to find the unregistered trademark at issue was reasonable, even though it had “conducted a comprehensive search of federal, state, and common law marks as well as [Internet] domain names.”
60. Ironically, this is typically an erroneous assumption. See, e.g., Frequently Asked Questions About Trademarks, THE TRADEMARK GROUP, http://www.trademarkgroup.com/trademark-services/trademark-faqs/index.html (last visited Dec. 5, 2013) (“While a company is not required to register a trademark, the expense of registration is minimal compared to the increased value one obtains in exchange.”). Attorneys in the United States charge an average of $3,644 to clients to obtain a USPTO trademark registration. See DAVID A. DIVINE & RICHARD W. GOLDSTEIN, AM. INTELLECTUAL PROP. LAW ASS’N, REPORT OF THE ECONOMIC SURVEY I-100 (2013). This dollar figure includes a trademark clearance search, analysis and opinion, a trademark registration application, and trademark prosecution through registration. Obtaining nationwide protection for a common-law trademark would require significantly more time and resources. See, e.g., Stork Rest. v. Sahati, 166 F.2d 348, 350–51 (9th Cir. 1948) (finding nationwide geographic rights for a trademark where the plaintiff had been using the trademark for its night club since 1934, the night club was
property and the value of this intangible asset.\textsuperscript{61} At any rate, there are countless unregistered trademarks being used in the United States, and the concurrent-use doctrine attempts to strike a balance between two equally important goals of trademark law:\textsuperscript{62} (1) protecting consumers from confusion and (2) protecting a trademark’s goodwill.\textsuperscript{63} The promulgation of the Lanham Act complicated this balance, particularly in instances where the original trademark owner, or “senior user,” did not register its mark and a subsequent junior user received a federal trademark registration for the same or a confusingly similar mark.\textsuperscript{64} The jurisprudential context for the creation of the concurrent-use doctrine and federal interpretation of the doctrine after the Lanham Act’s creation illustrates the complexity of balancing a trademark’s goodwill and protecting against customer confusion.

1. The Creation of the Concurrent-Use Doctrine

The concurrent-use doctrine establishes the territorial limits of common-law trademarks. The Supreme Court announced the doctrine in two cases from the early twentieth century: \textit{Hanover Star Milling Co. v. Metcalf}\textsuperscript{65} and \textit{United Drug Co. v. Theodore Rectanus Co.}\textsuperscript{66} These two cases are outlined below.

a) Hanover Star Milling Co. v. Metcalf

\textit{Hanover} involved a multi-party dispute in two different cases\textsuperscript{67} over the trademark TEA ROSE for flour packages, wrappings, and labels.\textsuperscript{68} The first case concerned Illinois-based Hanover Star Milling Company, which had expended considerable marketing efforts throughout Alabama, Mississippi,

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\textsuperscript{62} 1 McCarthy, \textit{supra} note 7, § 2:2; Barrett, \textit{supra} note 43, at 690.

\textsuperscript{63} This is because the Act provides a successful registrant with a nationwide right to use the trademark in the category of goods and services for which it has been registered. \textit{See} 15 U.S.C. § 1065 (2012).

\textsuperscript{64} Hanover Star Milling Co. v. Metcalf, 240 U.S. 403 (1916).

\textsuperscript{65} United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90 (1918).

\textsuperscript{66} The two cases were filed within two months of each other and argued together, so the Supreme Court addressed both in one opinion. \textit{Hanover}, 240 U.S. at 405.

\textsuperscript{67} \textit{Id.} at 405–07. The two parties also disputed the simultaneous use of a design embodying three roses, but much of the Court’s analysis focused on the name TEA ROSE. \textit{See} \textit{id.} at 406.
Georgia, and Florida since 1904, and Steeleville Milling Company, also an Illinois company, that sold and marketed its flour in Illinois, Tennessee, Indiana, Arkansas, and Mississippi, with occasional shipments to Alabama. Hanover developed a significant reputation among flour traders in its four-state region, and no competing TEA ROSE flour products had been sold in the region since 1905. When Metcalf, a third-party distributor, wanted to sell Hanover’s flour in Alabama, he could not do so because of an exclusive distribution agreement between Hanover and its distributor. Thus, Metcalf instead began distributing Steeleville TEA ROSE flour in that state. Thereafter, Hanover sued Metcalf for trademark infringement and unfair competition.

In the second case, Allen & Wheeler Company, an Ohio corporation that sold TEA ROSE flour in Ohio, Pennsylvania, and Massachusetts, sued Hanover. Allen & Wheeler alleged that Hanover’s use of TEA ROSE in Alabama, Florida, and Mississippi infringed its trademark. Allen & Wheeler had used the TEA ROSE trademark since as early as 1872, but made no showing regarding the extent of this use in the aforementioned markets. In addition, the Allen & Wheeler TEA ROSE flour had never been advertised, sold, offered for sale, or even heard of in the flour markets of Alabama, Florida, or Mississippi.

The Court first addressed the Allen & Wheeler dispute by applying trademark common law. In finding that Allen & Wheeler could not
preclude Hanover from using TEA ROSE in the southeastern states of Alabama, Georgia, Florida, and Mississippi, the Court noted that the purpose of trademarks is to protect the goodwill built by a company through years of effort.\(^82\) The Court emphasized that a trademark owner is entitled to protection and redress only in those markets where the trademark had actually been used in some meaningful capacity.\(^83\) The Court further emphasized that its holding should not be limited solely by the physical boundaries of states and municipalities:

Since it is the trade, and not the mark, that is to be protected, a trade-mark acknowledges no territorial boundaries of municipalities or states or nations, but extends to every market where the trader’s goods have become known and identified by his use of the mark. But the mark, of itself, cannot travel to markets where there is no article to wear the badge and no trader to offer the article.\(^84\)

Because Hanover had built goodwill in its four-state area and adopted TEA ROSE in good faith and without notice of Allen & Wheeler’s use, Allen & Wheeler was estopped from claiming trademark protection Alabama, Florida, and Mississippi.\(^85\)

Hanover also prevailed in its case against Metcalf. Because Metcalf was selling Steeleville’s TEA ROSE flower in the same Alabama counties as Hanover’s distributor, and Hanover had earlier established a large amount of goodwill in those counties through sales and advertising, the Court held that Metcalf had run afoul of unfair competition law.\(^86\) In addition, the Court was convinced that Metcalf intended to “take advantage” of Hanover’s reputation.\(^87\)

In summary, Hanover established the territorial limits of a common-law trademark. Under Hanover, the scope of protection for such marks is limited to the geographical area where the mark is both known and recognizable by

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82. Id. at 412.
83. Id. at 415–16.
84. Id. at 416 (citation omitted).
85. Id. at 419–20 (noting that Allen & Wheeler’s sales were at least 250 miles from the nearest location of Hanover’s sales). The Court noted that Hanover could only take advantage of this doctrine because it had not adopted its trademark “with some design inimical to the interests of the first user, such as to take the benefit of the reputation of [Allen & Wheeler’s] goods.” Id. at 415.
86. Id. at 421–24.
87. Id. at 423. Metcalf had not only used the words “Tea Rose,” but also used an external packaging design that was quite similar to Hanover’s packaging. Id.
an articulable segment of possible customers. A second case, United Drug Co. v. Theodore Rectanus, Co., answers the next logical question raised by the Hanover holding: if a common-law trademark is protected in one geographical area, are remote, unrelated users allowed to use the same or a similar mark in a different geographical area?

b) United Drug Co. v. Theodore Rectanus Co.

Two years after Hanover, the Supreme Court revisited the issue of concurrent use in Rectanus, albeit for a different purpose. In Rectanus, a dispute arose over the trademark REX in the medical drug context. In 1877, Ellen Regis adopted REX as a trademark for her medicinal product used to treat indigestion. Regis sold her products in the New England states, with additional “inconsiderable sales in New York, New Jersey, Canada, and Nova Scotia.” She sold her business, including the trademark, to United Drug Company in 1911, which continued to use the REX trademark in connection its Rexall retail drug stores around the United States.

Meanwhile in Louisville, Kentucky, a druggist named Theodore Rectanus had been using the trademark REX for his “blood purifier” product since 1883. Rectanus selected the REX trademark without any knowledge of Regis or United Drug’s use of REX. In 1906, Rectanus sold his business and trademark to the Theodore Rectanus Company, and both he and the company continued to use the mark. Rectanus expended money and effort

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88. Id. at 415–16 (“Into whatever markets the use of a trademark has extended, or its meaning has become known, there will the manufacturer or trader whose trade is pirated by an infringing use be entitled to protection and redress.”).
89. 248 U.S. 90 (1918).
90. Id.
91. See id. at 94.
92. Id. Ellen Regis derived the trademark from her last name. Id.
93. Id. at 98.
94. In the time before she sold her company, Regis had received a state registration in Massachusetts and a registration in the United States Patent Office. Id. At this time, however, registration with the United State Patent Office did not provide nationwide notice of trademark rights. Id. at 99–100.
95. Id. at 94.
96. Id. at 95. “Rex” was Theodore Rectanus’s nickname. Id.
97. Id.
98. Id.
to build a viable, albeit localized, business in Louisville and the contiguous area before United Drug entered the market. 99

Though United Drug heard about Rectanus in June of 1911, it began to ship boxes of “[REX] Dyspepsia Tablets” to Louisville in April of 1912. 100 Shortly thereafter, United Drug sued Rectanus for trademark infringement and unfair competition. United Drug’s basic argument was that its reasonable diligence in extending Rexall’s geographic reach should protect its Louisville use, even though it was the last to enter the market and Rectanus had already built goodwill there. 101

The Court noted that this argument was based on the “fundamental error” that trademark rights exist in gross. 102 It further emphasized that ownership rights in a trademark can exist only so long as it is attached to an existing company that sells products or services using that mark. 103 Accordingly, the Court found that Regis had not established common-law trademark rights in Kentucky. 104 It noted that, generally, “as between conflicting claimants to the right to use the same mark, priority of appropriation determines the question.” 105 The Court found, however, that the rule did not apply in cases where two different companies were selling products in remote markets without knowledge of the other. 106 Such an application of the rule would allow United Drug to unfairly obtain the benefit of the goodwill that Rectanus had created for the REX mark in Louisville. 107 Therefore, the Supreme Court enjoined United Drug from using REX in the Louisville territory.

In sum, Rectanus held that a senior user with nationwide, common-law rights in a mark may not preclude a junior user who adopted a mark—in good faith and without knowledge of the senior user—in a geographically remote territory in cases where the junior user was the first to adopt that

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99. Id. at 103. It had become so popular, in fact, that REX became the “trade signature” of both Rectanus and his company in the Louisville area. Id. In fact, the purchasing public only recognized REX as referring to Rectanus and his products. Id. at 95.
100. Id. at 95. These tablets appeared in local newspaper ads around the same time. Id.
101. Id. at 96–97.
102. Id. at 97.
103. Id.
104. Id. at 98–99 (citations omitted).
105. Id. at 100.
106. Id. (“[i]t would be a perversion of the rule of priority to [apply the general rule] in our broadly extended country”).
107. Id.
mark. The senior user, according to Rectanus, must bear the risk that a junior user will adopt the same mark and build goodwill in remote territories.

2. Federal Court Interpretations of the Concurrent-Use Doctrine Post–Lanham Act

The basic rule from Hanover and Rectanus is that the concurrent-use doctrine applies only where two questions can be answered affirmatively: (1) is the junior user operating in a geographically remote market? and (2) did the junior user adopt the trademark in good faith and without knowledge of the senior user? While the United States did have a national trademark registration system at the time of Hanover and Rectanus through the Trademark Act of 1905, this law did not extend nationwide rights to trademarks or provide any rights greater than then-existing common law rights. The enactment of the Lanham Act in 1946, however, brought about a wave of change.

The Lanham Act created, among other things, a federal registration system that provides nationwide protection to trademarks registered with the USPTO. It also provides that this registration establishes “constructive notice of the registrant’s claim of ownership.” This constructive notice provision eliminates a junior user’s claim of good faith and lack of knowledge in every jurisdiction in the United States. By enacting the Lanham Act,

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108. *Id.* at 101 (noting that United Drug, “being the newcomer in that market, must enter it subject to whatever rights had previously been acquired there in good faith by the Rectanus Company and its predecessor”).

109. *Id.* at 103.

110. These questions assume that the trademarks are confusingly similar or the same. In bringing an infringement lawsuit to enforce its trademark rights, a trademark owner must prove that the putative infringing use is likely to cause confusion among consumers. See 15 U.S.C. § 1114 (2012); 4 *McCarthy*, *supra* note 7, § 23:1 (characterizing the likelihood of confusion test as the “[k]eystone of common-law and statutory trademark infringement”).


113. 5 *McCarthy*, *supra* note 7, § 26:32.

114. *Id.*


Congress intended to reduce instances of, and the uncertainty associated with, court-sanctioned concurrent use.117

The Act additionally created an “innocent prior user provision,” also known as the “limited-area exception.”118 The limited-area exception does not substantively change the concurrent-use doctrine as outlined in Hanover and Rectanus, but essentially creates a law—grounded in concurrent use—that applies when one party has registered the trademark at issue. The limited-area exception allows a junior user to continue its use of a mark in a remote area, even in the face of an incontestable trademark registration,119 provided the user meets two requirements. First, the junior user must have adopted the trademark in good faith and without knowledge of the senior user.120 Second, the junior user must have continuously used the trademark prior to the senior user’s priority date.121 Though the statutory language only mentions senior users that possess incontestable marks, the limited-area exception applies regardless of whether a trademark has achieved incontestable status.122

The next two Subsections outline how early federal courts applied the concurrent-use doctrine in light of both the elimination of constructive notice and the creation of the limited-area exception. The first Subsection addresses Dawn Donut Co., Inc. v. Hart’s Food Stores, Inc.,123 the seminal case outlining the geographical limitations of federally registered trademarks. The second Section outlines Thrifty Rent-a-Car System, Inc. v. Thrift Cars, Inc.,124 the landmark case applying the limited-area exception.

117. 5 McCarthy, supra note 7, § 26:32 (citing Walter J. Halliday, Constructive Notice and Concurrent Registration, 38 Trademark Rep. 111 (1948)).
119. A trademark owner may apply for incontestable status for its trademark after five years of continuous use of the mark. 15 U.S.C. § 1065 (2012). An incontestable trademark provides conclusive evidence that a trademark owner has the right to use its registered trademark. Id.
120. See Thrifty, 831 F.2d at 1181.
121. The priority date depends on when the trademark application was filed. “The priority date is the registrant’s constructive use date in the case of registrations obtaining the benefit of the 1988 Lanham Act revision, or the registration date, or the re-publication date in the case of a pre-Lanham Act registration.” 3 Altmann & Pollack, supra note 118, § 20:22 n.13.
122. Id. § 20:22.
a) *Dawn Donut Co., Inc. v. Hart’s Food Stores, Inc.*

*Dawn Donut Co., Inc. v. Hart’s Food Stores, Inc.* involved two federally registered trademarks, DAWN and DAWN DONUT. Dawn Donut Company, Inc., a Michigan company, had used the trademark DAWN since 1922 on its bags of doughnut mix. Dawn Donut had obtained federal registrations in 1927 for both DAWN and DAWN DONUT in connection with the retail sale of baked goods. Since 1951, however, Hart Food Stores, Inc. had used DAWN to sell baked products in its grocery stores within a forty-five-mile radius of Rochester, New York. Hart had adopted the DAWN trademark in good faith and without actual knowledge of Dawn Donut. Though Dawn Donut had not licensed or sold products in Hart’s trading area for more than thirty years, Hart was charged with constructive notice of Dawn Donut’s trademark rights as of July 5, 1947, the effective date of the recently enacted Lanham Act.

Dawn Donut sued Hart for trademark infringement. In its defense, Hart argued that Dawn Donut should not be given exclusive trademarks rights in a trading region in which it had not entered for more than thirty years, even if it did have federally registered trademarks. In finding Hart’s argument inconsistent with the Lanham Act, the Second Circuit first noted that trademark registration on the principal register provided constructive notice to Hart of Dawn Donut’s trademark ownership.

Though Hart could not exclude Dawn Donut from the Rochester area the court also limited Dawn Donut’s ability to enjoin Hart’s use. The Second Circuit first noted that trademark registration on the principal register provided constructive notice to Hart of Dawn Donut’s trademark ownership.

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126. *Id.* at 361. It later used DAWN on sweet dough mixes and cake mixes. *Id.*
127. *Id.* at 360, 362.
128. *Id.* at 361.
129. According to Hart’s president, Hart adopted the trademark without searching to see if another entity was using it. *Id.* at 362. The company chose the mark “largely because of a slogan ‘Baked at midnight, delivered at Dawn,’” that it had used from 1929–1935. *Id.* at 361–62.
130. *Id.* at 361–62. Dawn Donut had applied for and received federal registrations before the Lanham Act went into force. After the Lanham Act passed, its constructive notice provision applied to both the DAWN and DAWN DONUT trademarks. *Id.* at 362 (“[B]y virtue of the Lanham Act, 15 U.S.C.A. § 1072, [Hart] had constructive notice of [Dawn Donut’s] marks as of July 5, 1947, the effective date of the Act.”).
131. *Id.* at 362, 364.
132. *Id.* at 362 (“by eliminating the defense of good faith and lack of knowledge, § 1072 affords nationwide protection to registered marks, regardless of the areas in which the registrant actually uses the mark”) (citations omitted).
133. *Id.* at 362–63.
Circuit created what has come to be known as the “Dawn Donut rule,” holding:

[I]f the use of the marks by the registrant and the unauthorized user are confined to two sufficiently distinct and geographically separate markets, with no likelihood that the registrant will expand his use into defendant’s market, so that no public confusion is possible, then the registrant is not entitled to enjoin the junior user’s use of the mark.

The determinative question, according to the court, was the likelihood of Dawn Donut’s expansion into Hart’s trading area as part of its normal business plan. The Second Circuit found that such an expansion was unlikely because Dawn Donut had not used the trademark in the Rochester trading area for such a long time. The court thus concluded that Hart could continue to use the DAWN trademark in that area. However, it also left open the possibility that Dawn Donut could enjoin Hart’s activities when it could prove “intent to use the mark at the retail level” in the Rochester trading region. Thus, Dawn Donut could only claim harm regarding the future intended development of its business and the corresponding use of the DAWN and DAWN DONUT trademarks.

In sum, the Dawn Donut rule prohibits enjoining a junior user’s activities when it does not compete in the same geographic market as a senior federal registrant because there is no likelihood of confusion until the senior federal registrant shows a probability of expansion into the junior user’s trading area. Thrifty Rent-a-Car System, Inc. v. Thrift Cars, Inc., which came along several years later, clarified the extent to which the limited area defense could be used to protect a junior user’s use in a geographically remote area.

134. The Dawn Donut rule has been accepted by many federal courts. See, e.g., Lone Star Steakhouse & Saloon, Inc. v. Alpha of Va., Inc., 43 F.3d 922, 931–32 (4th Cir. 1995); Minn. Pet Breeders, Inc. v. Schell & Kampeter, Inc., 41 F.3d 1242, 1246–47 (8th Cir. 1994); Coach House Rest., Inc. v. Coach & Six Rests., Inc., 934 F.2d 1551, 1562 (11th Cir. 1991); Church of Scientology Int’l v. Elmira Mission of the Church of Scientology, 794 F.2d 38, 45 (2d Cir. 1986); John R. Thompson Co. v. Holloway, 366 F.2d 108, 115–16 (5th Cir. 1966).

135. Dawn Donut, 267 F.2d at 364.

136. Id. This was an early articulation of the zone of natural expansion. See supra notes 31–35 and accompanying text.

137. Dawn Donut, 267 F.2d at 365. In fact, the number of Dawn Donut’s licensees had decreased significantly over time. Id.

138. Id.

139. Id.

140. 5 MCCARTHY, supra note 7, § 26:33.

b) *Thrifty Rent-a-Car System, Inc. v. Thrift Cars, Inc.*

*Thrifty* involved a dispute between the owners of trademarks in THRIFT and THRIFTY. Thifty Rent-a-Car System had used THRIFTY as a trademark for rental car services since 1958. It applied for federal registration of THRIFTY on July 30, 1962, and the trademark was ultimately registered in July of 1964. Thrifty incrementally expanded its business from a single operation in Oklahoma to the fifth largest rental car company by the time of the litigation. The dispute arose several years after Thrifty opened a Massachusetts outlet in December of 1967.

Unbeknownst to Thrifty, Thrift Cars of Massachusetts began operating in October of 1962 in East Taunton, Massachusetts without any knowledge of Thrifty’s business. Thrift Cars used the trademark THRIFT in a replacement car market bridging “the short term car rental and the longer term automobile lease.” Thrift Cars delivered cars to Boston, Nantucket, and Cape Cod, and advertised in the Taunton area, Cape Cod, Martha’s Vineyard, and Nantucket. In 1970, Thrift Cars moved a major part of its business to Nantucket and operated it primarily as a short-term car rental service. This business directly competed with Thrifty, and Thrifty ultimately sued Thrift Cars for trademark infringement.

The court noted that the limited area defense could apply in Thrift Cars’s favor, but only if Thrift Cars demonstrated

1. that it adopted its mark before Thrifty’s 1964 registration under the Lanham Act, and without knowledge of Thrifty’s prior use;
2. the extent of the trade area in which Thrift Cars used the mark prior to Thrifty’s registration; and
3. that Thrift Cars had continuously used the mark in the pre-registration trade area.

142. The two litigants stipulated that these trademarks were confusingly similar, so the First Circuit did not address the likelihood of confusion question. *Id.* at 1179.
143. *Id.*
144. *Id.*
145. *Id.*
146. *Id.*
147. *Id.*
148. *Id.*
149. *Id.*
150. *Id.*
151. *Id.*
152. *Id.* at 1181.
Even if Thrift Cars prevailed, its rights would only extend to the area where it had penetrated the market as of Thrifty’s July 1964 priority date.\footnote{153} The First Circuit recognized that Thrift Cars had adopted its mark before July 1964, but it had only continuously used the mark in East Taunton, and not Cape Cod, Martha’s Vineyard, or Nantucket.\footnote{154} In particular, Thrift Cars had established a zone of actual goodwill through its sales and advertising in East Taunton.\footnote{155} Thrift Cars also “made a showing of general reputation in the East Taunton area” through its marketing efforts.\footnote{156} While Thrift Cars also attempted to show its desire to expand into the surrounding Nantucket market, it did not present sufficient concrete plans regarding its expansion efforts.\footnote{157} Thus, the limited area defense applied, but Thrift Cars’s activities and common-law trademark rights were confined to Taunton, the market area where it had used the mark before Thrifty’s registration.\footnote{158}

Ultimately, Thrifty stands for the principle that, if a junior user meets the three limited-area exception requirements codified in § 1115(b)(5), a court may allow the junior user to continue using the mark concurrently with the senior trademark registrant’s use in other locations in the United States.\footnote{159} The senior trademark registrant may be precluded from using the mark in the junior user’s area, while the junior user may be precluded from using the mark outside of that limited area, subject to the Dawn Donut rule.\footnote{160}

\subsection*{3. The Confluence of Common-Law Trademarks, the Concurrent-Use Doctrine, and the Lanham Act}

As discussed above, common-law trademarks are protected only in a geographical area that has some connection to the trademark owner’s business.\footnote{161} This area, the delineation of which determines the scope of a trademark owner’s rights, is comprised of the zone of actual goodwill and/or the zone of natural expansion.\footnote{162} The first party to use a mark to sell goods or services is labeled the senior user and gains common-law trademark rights
in these zones. Historically, multiple parties were able to use the same or similar unregistered trademarks in their exclusive zones of use, because no party had a right to “monopolize markets that his trade has never reached.” Even under the Lanham Act, the limited area defense serves to delimit a “safe zone” for common-law trademarks facing infringement claims from a junior user who has successfully registered its mark.

Applying the concurrent-use doctrine from Hanover and Rectanus, early anachronistic cases assumed that the typical trade circle for sales and distribution was likely limited to a fifty-to-seventy-mile radius. Today, however, it is clear that a trademark’s territorial scope depends largely on the nature of the trademark owner’s business and where its consumers are actually located. The Internet has significantly impacted both of these considerations by providing a means for reaching millions of people in every state in the United States, regardless of the nature of the business. Goodwill can be much more easily created beyond states, counties, or municipalities. Though traditional analyses provide relatively clear guidelines for businesses that have one or more physical, brick-and-mortar locations, using the Internet to market, advertise, or operate a business adds a dimension that courts have thus far struggled to reconcile. Part III assesses the most recent case law attempting to integrate geographically delimited common-law principles with the borderless Internet.

165. Indeed, a majority of jurisdictions apply the Dawn Donut rule. See supra note 134.
169. See, e.g., Circuit City Stores, Inc. v. CarMax, Inc., 165 F.3d 1047, 1057 (6th Cir. 1999) (“given that recent technological innovations such as the Internet are increasingly deconstructing geographical barriers for marketing purposes, it . . . would be timely to determine whether the Dawn Donut Rule has outlived its usefulness.”).
III. APPLYING TRADEMARK COMMON LAW PRINCIPLES IN THE INTERNET ENVIRONMENT

The accessibility of the information on the Internet has strongly affected conventional trademark analyses.\(^\text{170}\) Theoretically, zones of protection could be instantaneously enlarged with the creation of a website that reaches consumers throughout the United States.\(^\text{171}\) Thinking back to the opening hypothetical,\(^\text{172}\) MidWest’s serendipitous Internet popularity allowed a small brick-and-mortar store to reach customers around the United States that it would otherwise have been unable to reach without the borderlessness of cyberspace. MidWest, therefore, could establish zones of market penetration and zones of reputation for its SHINY FITS trademark in far-reaching cities, states, and towns. The first issue, therefore, revolves around how to identify the territorial scope of protection of common-law trademarks when its use is not geographically limited.

The inevitable collision between MidWest with Southern, or other companies utilizing the SHINY FITS trademark, presents a second related issue. Should more than one company be allowed to concurrently use a common-law trademark on the Internet to sell the same (or similar) goods or services? The concurrent-use doctrine historically allowed multiple parties to do as much if they were in geographically remote areas. However, cases from the early twentieth century were decided at a time when a brick-and-mortar location was the epicenter from which goods and services were offered and sold.\(^\text{173}\) The Internet has made a company’s physical location less relevant.\(^\text{174}\) For example, Google’s physical location is irrelevant for consumers who want to use the company’s well-known search engine. As such, it is no longer feasible to apply a rule that will not accommodate a likelihood of confusion when the parties are geographically remote.

As courts are only recently beginning to address these issues, the case law is not yet fully developed and courts have provided little more than anecdotal guidance in this arena. The following Sections outline how courts and

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171. Id.
172. See infra Part I.
173. Id.
174. Id.
scholars address creating common-law trademark rights through Internet use and the subsequent concurrent use questions that arise.

A. DEFINING THE GEOGRAPHICAL SCOPE OF COMMON-LAW TRADEMARK RIGHTS BASED ON INTERNET USE

Trademark rights are acquired in the United States once a party begins to use the mark in commerce to sell goods or services. It is generally accepted that the mere creation of a website featuring the trademark does not mean that this mark has penetrated each of the fifty states, established a reputation in all of those markets, or created common-law trademark rights in all of those markets. As noted by Professor Thomas McCarthy, “[k]nowledge among persons in the territories in issue must be proven by evidence, not assumed just because the Internet is national and global.” In analyzing such evidence in the Internet context, a number of jurisdictions apply a derivation of four factors to determine where a company’s market penetration is sufficient to warrant trademark protection, including: (1) volume of sales, (2) growth trends, (3) number of buyers in ratio to potential customers, and (4) amount of advertising. These factors have been derived from non-Internet cases. In addition, to establish use through advertising, whether it be on the Internet or otherwise, the use “must be open and notorious and of such a nature and extent that the mark has become popularized in the public mind to associate the mark with the product or service’s provider.” Thus, the vast majority of Internet cases are grounded in the idea that a trademark owner’s use must sufficiently impact the physical world in specific, geographical locations.

Common-law trademark ownership, however, does not have to be grounded in extensive use. Common law rights can be created even if there is neither “deep market penetration” nor “widespread recognition.”

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175. Just “because a Web site featuring a trademark can theoretically be accessed on computers from Florida to Alaska . . . does not mean that the trademark is known and established in these locations.” 5 McCarthy, supra note 7, § 26:30.50.

176. Id. (citation omitted).


use only need be “consistent and continuous.” \textsuperscript{181} Particularly in the Internet context, a business can make a small number of sales in each state in the United States with significantly less effort. \textsuperscript{182} Questions remain, however, regarding how to measure the territorial limits of trademark protection in such instances.

Some courts have acknowledged in dicta that an active Internet presence could possibly bestow nationwide trademark rights. \textsuperscript{183} Thus far, however, trademark owners have unsuccessfully argued that mere Internet presence widens the geographical zone of trademark protection. For example, in \textit{Echo Drain v. Newsted}, \textsuperscript{184} Echo Drain, a local Dallas, Texas band, claimed common-law trademark rights in ECHO DRAIN. It adopted ECHO DRAIN in February of 2000, and by September of 2002 it had performed nineteen live shows in the Dallas area. \textsuperscript{185} Among other activities, Echo Drain created a website, www.echodrain.com, that provided news about and pictures of the band. \textsuperscript{186} Visitors could also download Echo Drain’s music and post messages on the site. \textsuperscript{187}

In addressing the scope of ECHO DRAIN’s zone of actual goodwill, the court emphasized the local nature of the band and limited any possible trademark rights to the Dallas–Forth Worth area. \textsuperscript{188} Even though Echo Drain’s website was, of course, accessible by any person in the United States, Echo Drain offered “no evidence that people outside of the Dallas–Forth Worth area [had] accessed the website, downloaded performances from the website, or even posted messages to the website.” \textsuperscript{189} Regarding ECHO DRAIN’s possible zone of natural expansion, the court looked primarily at Echo Drain’s activities and concluded that its lack of growth plans prohibited

\textsuperscript{181}. \textit{See id.; see also} La Société Anonyme des Parfums le Galion v. Jean Patou, Inc., 495 F.2d 1265, 1271–72 (2d Cir. 1974) (holding that trademark use must be “deliberate and continuous, not sporadic, casual or transitory”).

\textsuperscript{182}. \textit{See} Eckhart & Kearney, \textit{supra} note 170 (“It used to take a company months—if not years—to put in place the mechanisms to advertise or sell products or services outside its immediate geographic region. Now, through the Internet, these tasks can sometimes be accomplished in a matter of hours.”).

\textsuperscript{183}. \textit{See, e.g.,} Pure Imagination, Inc. v. Pure Imagination Studios, Inc., No. 03 C 6070, 2004 WL 2967446, at *11 (N.D. Ill. Nov. 15, 2004) (recognizing that “the operation of an active web site on the Internet could constitute nationwide trademark use”).


\textsuperscript{185}. \textit{Id.}

\textsuperscript{186}. \textit{Id.}

\textsuperscript{187}. \textit{Id.}

\textsuperscript{188}. \textit{Id.} at 1127–28.

\textsuperscript{189}. \textit{Id.} at 1128.
a zone of natural expansion beyond the Dallas–Fort Worth area, even though residents in other states could access the website.  

Other jurisdictions have acknowledged that the advent of the Internet may necessitate the creation of a new sui generis zone of protection, existing in addition to the zones of actual goodwill and natural expansion. In Optimal-Pets, Inc. v. Nutri-Vet, LLC, the court posited that the Internet could be viewed “as its own distinct market.” Though neither party in Optimal-Pets sought common law rights in this “distinct market,” the court, through dicta, noted that the Internet “could be evaluated separately from any geographic territory.” Common-law rights for Internet sales could be established by determining the level of cyber-market penetration, “even though such rights could not be established as to any physical geographical area.”

However, both courts and scholars have noted the difficulty viewing the Internet this way. Even the most comprehensive Internet search may not consistently locate the relevant trademark. Search results are inextricably dependent upon the veracity of a third party’s search engine. Furthermore, there is not currently a way to divide the Internet into particular zones or regions.

Even in the face of such difficulties, trademark owners have tried to assert common law rights over the cyber-market posited in Optimal-Pets. In Dudley v. Healthsource Chiropractic, Inc., for example, Donald Dudley claimed

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190. The opposing party, Echobrain, was located in California. Id. at 1120. Echo Drain conceded “that although its website is accessible in California, it [had] no plans to do any business in California.” Id. at 1128.


192. Id. at 962 (citing Barrett, supra note 43, at 715–20).

193. Id.

194. Id.


196. Search engines can be quite inefficient and are constantly updated and revised to provide better results. See, e.g., Nupp, supra note 195, at 657–60. Indeed, Google, the most-used search engine on the Internet, has made several modifications to its algorithms in recent years to improve search results. See, e.g., Alistair Barr, Google Unveils Major Overhaul of its Search Engine, USA TODAY (Sept. 26, 2013), http://www.usatoday.com/story/tech/2013/09/26/google-overhauls-search-engine/2877491 (noting that Google’s latest search engine modification “affects 90% of [its] search results . . . [and] makes search results more relevant and useful”).

197. Cf. Reno v. ACLU, 521 U.S. 844, 890 (1997) (“Cyberspace undeniably reflects some form of geography; chat rooms and Web sites, for example, exist at fixed ‘locations’ on the Internet.”).

common-law trademark rights in HEALTHSOURCE CHIROPRACTIC for private chiropractic services in several New York counties and on the Internet.199 The court found that the Internet could not be appropriated in this manner, noting that “[t]he [I]nternet is not . . . a geographic territory to be subdivided; instead it is a global communication medium that is accessible from anywhere on the planet.”200 As such, the court held that Dudley could not claim territorial rights to the Internet.201

Courts and trademark owners alike, therefore, have struggled to determine whether the scope of protection for common-law trademarks used on the Internet should extend throughout a nationwide market, necessitate exclusive rights in the cyber-market, or require something else altogether.

B. THE POSSIBILITY OF CONCURRENT USE ON THE INTERNET

In addition to the problem of determining the zone of protection for specific trademarks, an increasingly common question has been raised: how should courts assess concurrent Internet use among multiple parties with legally established zones of trademark protection? In other words, can identical or confusingly similar but geographically distinct trademarks be used simultaneously on the Internet for the same goods or services?

At least two courts have stated that one party cannot claim exclusive rights to the Internet over other parties. For example, in Allard Enterprises, Inc. v. Advanced Programming Resources, Inc.202 Allard Enterprises, Inc. registered the trademark APR OF OHIO for employee-placement services with the USPTO in 1996.203 Advanced Programming Resources, Inc., however, had used APR for similar services since 1989,204 and the court designated it as the senior user.205 Advanced Programming sought an injunction prohibiting Allard from using APR on the Internet, which the court denied.206 The court noted that “permitting some form of [I]nternet use seems necessary; otherwise, if two parties have concurrent rights to the same mark in distinct

199. Id. at 394 (“By claiming exclusivity to the ‘HealthSource Chiropractic’ mark on the [I]nternet, [Dudley] assumes that the [I]nternet is a territory in which he can claim exclusive rights.”).
200. Id.
201. Id. at 394–95.
203. See id. at 568.
204. Id. at 568.
205. Id. at 572.
206. Id.
geographical areas, neither party would ever be allowed any use of the Internet." 207

Similarly, the Dudley court noted, in the context of senior and junior users on the Internet, that “[t]he rights of concurrent users would be substantially harmed if one user were able to monopolize the Internet to the exclusion of other lawful users of the same mark.” 208 The Dudley court cautioned that lawful concurrent users should be precluded from using their trademark on the Internet in a way that would encroach into another’s geographical zone in bad faith. 209 Warning aside, however, the court reiterated that no party could reasonably believe that it has a greater right to the Internet than any other party. 210

In addition, an alternative viewpoint raises concerns about a legitimate problem. The essence of the problem can be articulated as follows: if two parties have concurrent use rights in the same trademark, and one of those parties creates a website intending to market its products within its geographical region, that website is still easily accessible by others outside the region, including those in the second party’s zone. 211 For instance, consumers looking for Wally’s Widget World in Oregon may instead be led to Wally’s Widget World in Florida. At least one court has hinted at a willingness to provide exclusive rights to the Internet in such instances. The Fourth Circuit noted that it could not imagine a situation where concurrent users of common-law trademarks can simultaneously exist on the Internet. 212 Scholars have noted that such contemporaneous Internet use would inevitably lead to confusion. 213

In summary, federal courts are only beginning to address common-law trademarks used on the Internet. The dearth of case law, coupled with inconsistent results and dicta, currently leaves trademark owners, particularly those who rely heavily or exclusively on Internet commerce, with no clear guidelines. Most courts merely provide anecdotal observations regarding the Internet’s impact on traditional analyses or suggestions for future consideration. As such, there is a clear need for guidance in measuring a

207. Id. at 575.
209. Id. at 395.
210. Id.
211. See id.
213. See Burks & Lasater, supra note 18, at 349–50.
IV. AN INTERNET FRAMEWORK FOR COMMON-LAW TRADEMARKS

Courts have largely chosen to ignore the unique characteristics of the Internet in fashioning remedies for trademark owners. Several commentators, however, have proposed models for establishing a territorial zone of protection. Similarly, scholars have suggested a wide variety of approaches to concurrent use on the Internet. The following Sections build on these suggestions and offer updates and improvements that contemplate technological advancement and pragmatic considerations necessitated by the character of the Internet.

A. ESTABLISHING TERRITORIAL RIGHTS THROUGH INTERNET USE: AN UPDATED MODEL

The minimum threshold for establishing common-law trademark rights revolves around the trademark’s use being deliberate, consistent, and continuous. Any model used to establish territorial rights through Internet use must articulate the zone of actual goodwill and the zone of expansion as currently applied to brick-and-mortar businesses. While Professor McCarthy has not suggested a specific test, he explained that Internet use can be likened to traditional large-scale channels like national catalog sales, radio and television marketing, and magazine advertisements when establishing a territorial zone of protection. Another commentator, Scott Creasman, has combined personal jurisdiction and traditional trademark infringement standards to create a five-factor test to determine common-law trademark

214. See, e.g., Harrods, 302 F.3d at 234 n.9 (stating that concurrent use on the Internet “is one of the difficulties that courts and legislatures will eventually have to face as they work to harmonize the geographically limited nature of trademark law with the global nature of the Internet as a medium”).

215. Cf. Dudley, 883 F. Supp. 2d at 393–96 (determining that “[r]estricting internet use to the federal registrant would . . . equally undermine the territorial rights of a senior common law user. Consequently, this Court concludes that neither party can claim exclusive rights to the [I]nternet”).

216. See Burks & Lasater, supra note 18, at 344–47; Creasman, supra note 6, at 1029–32.

217. See, e.g., Barrett, supra note 43, at 715–20; Burks & Lasater, supra note 18, at 348–57.


219. See Creasman, supra note 6, at 1022 (“[t]he traditional emphasis on ‘zones’ in bricks-and-mortar trademark law analysis remains applicable to the Internet”).

220. McCarthy, supra note 7, § 26:30.50.
rights grounded in Internet use. 221 Both of these suggestions provide useful starting points in assessing territorial rights, but neither appropriately considers the intricacies of the Internet, like a website’s popularity, a website’s character, or Internet-specific marketing avenues.

Regarding national, large-scale advertising in the brick-and-mortar context, it is possible for a common-law trademark to acquire a nationwide zone of protection. 222 The determinations in early cases were highly factually specific. 223 In Travelodge Corp. v. Siragusa, 224 for example, a hotel was found to have acquired nationwide geographic rights where it (1) used the mark for more than eight years; (2) spent in excess of $3,500,000 on advertising; (3) distributed more than three million of its self-published directories, not including its listings in third-party directories and materials; and (4) appeared in nearly 2000 U.S. billboards and national magazine ads, including “Newsweek, Business Week, Time, U.S. News and World Report, and Holiday.” 225 It has been proposed that “[w]hen the traditional tests are applied [in the Internet context], Internet use should be factored in and weighed in the same way as are catalog telephone sales and traditional radio and television advertising.” 226

Such an approach, however, is inefficient and unworkable for several reasons. First, the Internet potentially reaches many more people than traditional mechanisms. 227 Second, the Internet provides more fluid connections with putative customers—an individual may only hear a radio advertisement once while driving in his vehicle, but that same individual can visit a website several times per day. The possibility of multiple connections with a putative customer can create a much more lasting impression. Third, while fact-specific inquiries in Internet-based common-law trademark cases are helpful, such analyses do not provide a framework through which to categorize all of the evidence. Courts have largely remained silent on this

221. See Creasman, supra note 6, at 1029–32.
222. “The traditional notions of limited market area pervading the earlier cases dealing with . . . trademarks are not persuasive in this day of modern communication and travel.” Travelodge Corp. v. Siragusa, 228 F. Supp. 238, 243 (N.D. Ala. 1964).
225. Id. at 244.
226. MCCARTHY, supra note 7, § 26:30.50.
issue, and this silence has already led to inefficient and unpredictable results. 228 A solution is needed, and as with most areas of the law, history provides a useful starting point.

As noted earlier, courts have moved toward factor-based analyses when identifying territorial zones in the brick-and-mortar context, and, logically, an Internet-sensitive framework should follow suit. 229 Creasman has proposed a five-factor test to determine the territorial zone of protection for common-law trademarks used on the Internet:

1. the volume of sales in an area,
2. growth trends in that area,
3. the extent of these sales as a function of the total market,
4. dispersal of these sales points within a given area, and
5. specific jurisdictional targeting. 230

The Creasman test is useful because it is grounded in established case law and begins to take into consideration the borderless nature of the Internet by accounting for the jurisdictional scattering of sales created by an Internet marketplace.

The first three factors stem from the Natural Footwear factors that courts have already largely adopted. 231 Applying these factors will not require courts to do any more than they are already bound to do in analyzing the scope of protection for common-law trademarks.

228. See Burks & Lasater, supra note 18, at 350 (noting the inefficiency of “inconsistent treatment of similarly situated litigants and inconsistent weighting of factors” when dealing with such Internet-based common-law trademarks).

229. See discussion supra Section II.A.

230. Creasman, supra note 6, at 1033. This test is an amalgamation of the popular Natural Footwear factors, general personal jurisdiction tests, and trademark infringement standards. See id. at 1023–29. Another commentator has suggested a statutory revision to determine whether a common-law trademark owner has established a bona fide use in commerce sufficient to preclude others from using confusingly similar marks on the Internet. See Burks & Lasater, supra note 18, at 351–53. This revision uses somewhat similar language to the Creasman test, but it includes a “degree of online advertising” factor. Id. at 352. The commentator, however, does not substantively elaborate on the scope of such advertising.

231. See discussion supra Subsection II.A.1. The Creasman test excludes as a consideration the amount of advertising in the relevant area because, “unlike the bricks-and-mortar situation in which these figures could simply be held against the volume of advertising in an area to make an educated inference as to a company’s reputation in that area in a homogenous sense, the user-specific subjectivity of the Internet advertising environment requires another approach.” Creasman, supra note 6, at 1031.
The fourth factor takes into consideration that Internet sales can occur widely but not deeply.\textsuperscript{232} A trademark does not have to gain widespread public recognition to acquire common-law trademark rights.\textsuperscript{233} The trademark's use, however, must not be “sporadic, casual or transitory.”\textsuperscript{234} For example, our hypothetical Nebraska T-shirt company, MidWest, may sell seven products in North Carolina through its website, but these sales are probably not sufficient to establish a zone of reputation if MidWest makes one sale each in Boone, Elizabeth City, Beaufort, Tabor City, Charlotte, Murphy, and Raleigh.\textsuperscript{235} On the other hand, if all of MidWest’s sales occur in one neighborhood in Charlotte, a zone of reputation could possibly be established in that area, particularly in conjunction with the other Creasman factors.\textsuperscript{236}

The fifth factor, specific jurisdictional targeting, is the “keystone factor” in the Internet context.\textsuperscript{237} This factor is borrowed from theories of general personal jurisdiction.\textsuperscript{238} The basic rationale is that if a court may exercise general personal jurisdiction over a trademark owner based on its Internet activities, such activities can also establish a territorial zone of protection.\textsuperscript{239} The glaring problem with this factor is that businesses create websites so that they can reach a large segment of the consuming public without having to target areas with radio ads, television commercials, or paper-based marketing.\textsuperscript{240}

An updated model for establishing territorial zones based on Internet use should note the uniqueness of each case but also consider the pragmatic utility of the Internet. The facts considered in early court decisions can be

\begin{itemize}
\item \textsuperscript{232} See Creasman, supra note 6, at 1031.
\item \textsuperscript{233} Blue Bell, Inc. v. Farah Mfg. Co., 508 F.2d 1260, 1265 (5th Cir. 1975).
\item \textsuperscript{234} Circuit City Stores, Inc. v. CarMax, Inc., 165 F.3d 1047, 1055 (6th Cir. 1999) (citing La Société Anonyme des Parfums le Galion v. Jean Patou, Inc., 495 F.2d 1265, 1272 (2d Cir. 1974).
\item \textsuperscript{235} These cities are all roughly 150 to 200 miles apart within the state of North Carolina and roughly outline the state’s border.
\item \textsuperscript{236} See Creasman, supra note 6, at 1031.
\item \textsuperscript{237} Id.
\item \textsuperscript{238} See id. at 1025–27.
\item \textsuperscript{239} While the Author disagrees with this contention to a certain extent (because of the hypothetical posed in the previous paragraph), the parallels are unmistakable, and the factor certainly provides the beginning of a useful framework for analyzing territorial zones of trademark protection.
\item \textsuperscript{240} See Creasman, supra note 6, at 1031–32. Traditional advertising through print media, direct mailings, or phone book ads can be cost-prohibitive and may also prohibit personalization. Jeanette Mulvey, How Do I Advertise on the Internet on a Small Budget?, BUSINESS NEWS DAILY (July 11, 2010), http://www.businessnewsdaily.com/12-small-budget-advertising-internet-marketing.html.
\end{itemize}
distilled into a few critical categories, as articulated in both the *Natural Footwear* and Creasman tests.

The Creasman test, however, does not explicitly consider the number of visitors to a particular website or the amount of money spent on Internet-specific marketing tools like keyword advertising, search engine optimization, email marketing, or social media. These two factors are important to consider in the Internet context because visitors, regardless of their status as purchasers, are exposed to a trademark and its corresponding goods and services each time they visit a website. In addition, Internet-specific marketing could significantly increase the number of visitors to a website and thus the amount of exposure a trademark receives. *Echo Drain*, one of the few cases to actually analyze Internet-based territoriality, offers some guidance in this arena. The court essentially applied a historical fact-intensive inquiry in finding that *Echo Drain* had not established a territorial zone outside of Dallas. In particular, the court looked at *Echo Drain*'s expansion efforts, both affirmative and entertained, as well as its website visitors.

In addition to these considerations, the purpose and character of the website is also relevant. Websites essentially fall on a spectrum, and one scholar has articulated this website spectrum as encompassing three different categories: “(1) a national, non-local content website, (2) an exclusively local-content website, and (3) a combination national and local-content website.” Though there are certainly gray areas, it is relatively easy to contemplate which websites fall at the beginning and end of the spectrum. For example, a national, non-local content website would be Cheezburger.com, an Internet meme website featuring humorous, captioned photos of cats called “Lolcats.” Visitors, regardless of geographical

241. All of these tools help businesses reach a larger number of customers to attract website visitors and convert these visits into purchases. See generally ALAN CHARLESWORTH, *INTERNET MARKETING: A PRACTICAL APPROACH* (2009).

242. Perhaps one visit to a website would not create the type of lasting mental impression necessary to establish goodwill, but over time such exposure could prove sufficient to establish common-law trademark rights.

243. See Nupp, *supra* note 195, at 660 (arguing that “the main objective of every website operator is to get his site listed prominently on as many different keyword search lists on as many different search engines as possible”).


245. See *id.* at 1127–28.

246. *Id.* at 1128.


location, are invited to “see, create, submit and vote on Lolcats.” As of December 2013, Cheezburger.com is the twelfth most popular blog on the Internet with an estimated 6.5 million unique monthly visitors. On the other end of the website spectrum, an example of an exclusively local-content website is the website of a city’s Chamber of Commerce. The information on this kind of website would mostly concern local businesses in local towns and cities. A combination national/local content website would likely require a fact-intensive analysis that extrapolates and compares the type of information posted on that website.

A new test that identifies the territorial limits of common-law trademarks used on the Internet should build on the traditional analyses but provide fluidity for technological concerns. Because the Internet is simultaneously everywhere and nowhere, its users can become immediately connected to the marketplace, or completely ignore that marketplace. Because common law protection for trademarks subsists only in the areas in which customers recognize the mark as identifying that particular business, the overarching and determinative consideration lies in the minds of those customers/Internet visitors. Though scant case law exists addressing common-law trademarks in the Internet context, at least one court has seen this consideration as critical. In *Echo Drain*, the court explicitly noted:

> Although Echo Drain has a website, Echo Drain offers no evidence that people outside of the Dallas–Fort Worth area have accessed the website, downloaded performances from the website, or even posted messages to the website. . . . Accordingly, even if Echo Drain was able to prove that it had a protectable trademark, its rights in that mark would not extend beyond the Dallas–Fort Worth, Texas area.

Building on *Echo Drain*’s starting point, a new test should essentially ask one question: has there been trademark use, or penetration, sufficient to

249. *See id.*
252. *Id.* at 701 (noting that a “target audience” analysis may be useful).
253. Referring back to the opening hypothetical, *supra* Part I, perhaps MidWest would fall into this category. Its website would presumably highlight its brick-and-mortar location in Omaha, Nebraska, but it would also allow customers from all states to purchase products. Much of this kind of balancing analysis would turn on the literal features of the website.
256. *Id.* at 1128.
create a lasting impression in the consumer’s mind in the relevant geographical region? Though unarticulated, the early decisions contemplating the geographical scope of common-law trademarks hinge on whether the trademark owner has created a lasting impression in enough consumer minds to create goodwill, whether accomplished through sales, television, radio, the Internet, or some other means.

In establishing a common-law trademark’s territory through Internet usage, courts may use the following non-exhaustive list of factors to answer the overarching question of whether there exists a lasting impression. This test builds on the Creasman test: the first five factors are those outlined in the Creasman test, and the final four factors provide specific Internet-related considerations that have yet to be clearly articulated by scholars or courts:

1. the volume of sales in an area,
2. growth trends in that area,
3. the extent of these sales as a function of the total market,
4. dispersal of these sales points within a given area,
5. specific jurisdictional advertising,
6. the amount and manner of Internet advertising,
7. the length and manner of Internet presence,
8. the purpose and character of the Internet presence, and
9. the number of unique monthly Internet visitors.

This list encompasses earlier scholarly suggestions but adds new Internet-specific dimensional components. As with the Creasman test, these nine factors should be considered on a case-by-case basis to allow maximum flexibility. While such an extensive list of factors may initially seem unwieldy, courts are already required to consider some of these factors in

257. This all-encompassing question notes the importance of the traditional “zone of actual goodwill,” as defined through market penetration, reputation, or both.
258. See supra Section III.A. Perhaps sensory impressions play a critical role here. For example, it is well settled that brick-and-mortar interactions create goodwill. This could be because the consumer has used many of her five senses in interacting with the product bearing the trademark: sight in viewing the product, hearing in speaking with/interacting with the salespersons in the store, and touch in picking the product up with her hands. The Internet, on the other hand, typically involves only the sense of sight, and typically only for a brief period of time. This fleeting moment, by itself, may not be enough to create a memorable, lasting impression.
259. See Creasman, supra note 4, at 1031. The fifth factor will likely be irrelevant for small businesses and startups. Generally, these types of companies by their very nature lack the resources for large campaigns in print or traditional media.
260. See Creasman, supra note 6, at 1032.
traditional trademark cases involving distinctiveness, secondary meaning, infringement, market penetration, and dilution.

This new proposal provides an updated framework for attorneys, courts, and the legislature working to reconcile trademark common law with Internet usage, and it emphasizes that the evidence must be comprehensively analyzed to determine the existence of a lasting impression in the minds of consumers.

B. A MIDDLE-GROUND APPROACH TO CONCURRENT USE

Outlining the geographical parameters of common-law trademark protection is merely the first obstacle. The second obstacle for many trademark owners (both common-law trademark owners and holders of federally registered marks) is that of concurrent Internet use. The question of concurrent Internet use will become more pervasive as businesses continue to use websites to connect with and sell to consumers. Since multiple parties may use the same mark for the same products in a different geographic area, the concurrent-use doctrine absorbs at least some amount of consumer confusion. However, the Internet adds a unique dimension to concurrent use because it is not a physical body of land to be sectioned or delimited. A company in New York can reach consumers in California just as easily as it can in Brooklyn through its website. When two companies have concurrent trademark rights in the same trademark, it is presently unclear whether one party must be precluded from using that trademark on the Internet. There is scant precedent on this issue. Only a handful of federal courts have explicitly acknowledged the issue at all, and the dicta conflict. Some courts find it inequitable to preclude trademark owners from capitalizing on a wide-reaching but inexpensive marketing channel, while others cannot envision a


263. See Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492 (2d Cir. 1961); see also Ginsburg et al., supra note 45, at 334 (outlining all of the circuit tests for trademark infringement).


266. See Harrods Ltd. v. Sixty Internet Domain Names, 302 F.3d 214, 233 (4th Cir. 2002); Brookfield Comms’n, Inc. v. W. Coast Entm’t Corp., 174 F.3d 1036, 1054 (9th Cir. 1999).

system that allows confusingly similar marks to simultaneously exist on the Internet.

Coupling current case law with the earlier analogy to national, large-scale print, radio, and television advertising, this Section proposes that the concurrent-use doctrine can indeed survive in an Internet-driven world.

Likening Internet usage to national advertising provides a useful starting point. When faced with large-scale use of a common-law trademark, courts have permitted the owners of such marks some form of national advertising, even where another (and usually senior) party has a smaller territorial zone of trademark protection. In *V & V Food Products, Inc. v. Cacique Cheese Co., Inc.*, for example, V & V established common-law trademark rights in Illinois, Wisconsin, Indiana, and Michigan in the mark RANCHERITO in the mid-1970s. In 1981, Cacique applied for and received a federal registration for RANCHERO. Cacique was at first permanently enjoined from using RANCHERO or RANCHERITO in Illinois, Wisconsin, Indiana, and Michigan, but later requested a modification of the injunction following the advent of national Spanish-language network television channels. The court modified the injunction and allowed Cacique to purchase national ads from such networks because to hold otherwise would have been impractical, inequitable, and unfair. The creation of nationwide Spanish language television was not a technology contemplated by the judge when he entered the original injunction, and the injunction would prohibit Cacique from reaching this new, widely dispersed customer base.

268. See, e.g., Allard Enters., Inc. v. Advanced Programming Res., Inc., 249 F.3d 564, 572 (6th Cir. 2001) (finding that the lower court should consider allowing the junior to use a confusingly similar trademark on the Internet); Thrifty Rent-A-Car Sys., Inc. v. Thrift Cars, Inc., 831 F.2d 1177, 1182–84 (1st Cir. 1987) (allowing a senior user to continue nationwide advertising but enjoining advertising directed at a junior user’s territorial zone of trademark protection); Tree Tavern Prods., Inc. v. ConAgra, Inc., 640 F. Supp. 1263, 1273 (D. Del. 1986) (permitting nationwide advertising while simultaneously enjoining sales in another party’s territorial zone of trademark protection).


270. *Id.* at *1.

271. *Id.* The parties stipulated that the two marks were confusingly similar. *Id.*

272. *Id.*

273. *Id.* at *3.

274. See *id.* at *9. Cacique was still precluded from selling products in V & V’s territorial zone of protection, but the court noted that the issuing judge had not originally considered the impact of advertising, but not selling, products in geographical areas. *Id.* at *10–11.

275. *Id.* at *9* (noting that Cacique could “lose market share in the forty-six states where its rights are superior to V & V’s”).
As previously discussed, federal courts are in disagreement regarding whether a similar line of reasoning should apply in the Internet context. In directly addressing the range of issues involved, one court has noted:

If . . . a senior common law user [within a limited territorial zone of trademark protection] could claim exclusive use on the [I]nternet, then it would undermine the benefits and security provided by federal registration. A federal registrant could never be certain that its rights extended to the [I]nternet and that a senior user would not come forward claiming priority and exclusivity to the [I]nternet. Similarly, allowing a federal registrant exclusive use of the mark on the [I]nternet would undermine the territorial rights of a senior user. Unlike national advertising which would often be cost-prohibitive for a local or regional user, the [I]nternet is an almost-necessary tool for a user to develop its business and remain competitive within its exclusive territory. Restricting [I]nternet use to the federal registrant would therefore equally undermine the territorial rights of a senior common law user.

Such ambiguity, if unaddressed, will create a nearly impenetrable body of case law and policy concerns. In addition, each court’s decision will apply beyond the jurisdictional reach of precedent to the borderless Internet.

A middle ground exists between these two extremes, one that is based on a comparison to early nationwide advertising cases. Upon adjudication of the scope of territorial protection of a common-law trademark, courts should apply a “concurrent Internet use doctrine” which provides that (1) both trademark owners should conspicuously place a disclaimer on the relevant product or sales pages noting where products are available (in the case of a limited territorial zone) or not available (in the case of advertising based on nationwide use or federal registration), and (2) use on the Internet should not be permitted to extend into another party’s territorial zone in bad faith.

276. See discussion supra Section III.B.


278. Scholars have documented the dangers in allowing jurisdictionally restricted laws to impact the Internet in other contexts. See, e.g., Xuan-Thao N. Nguyen, The Digital Trademark Right: A Troubling New Extraterritorial Reach of United States Law, 81 N.C. L. REV. 483 (2003) (arguing that the 1999 Anticybersquatting Protection Act illegally expands American trademark law beyond the appropriate territorial boundaries).

279. See, e.g., Flavor Corp. of America v. Kemin Indus., Inc., 503 F.2d 729 (8th Cir. 1974).

280. Bad faith, as used in this context, is defined as intent to expand use of the mark(s) at issue beyond geographically restricted areas. See Harrods Ltd. v. Sixty Internet Domain Names, 302 F.3d 214, 234 (4th Cir. 2002).
Other approaches have been proposed. Some scholars have suggested a statutory revision based on the *Natural Footwear* factors that provide Internet rights to one party if it files a trademark application within a specific period.\(^{281}\) Other proposed remedies include placing a disclaimer to indicate that one party is not connected to another, linking to a neutral site that outlines the concurrent use terms, manipulating search engines so that parties appear in close proximity in search results, or creating geographic-specific top-level domains.\(^{282}\)

Regarding the use of disclaimers, such an approach has support in the case law. In *Flavor Corp. of America v. Kemin Industries, Inc.*,\(^{283}\) Flavor Corp. owned established rights to the trademark PESTLUR in Georgia and Florida, and Kemin acquired common-law trademark rights in the confusingly similar trademark LURE in ten other states.\(^{284}\) Kemin was enjoined from competing with Flavor Corp. in Georgia and Florida, but it requested permission to use LURE in national advertising.\(^{285}\) In noting that Kemin must be allowed to use modern marketing techniques, the court held that Kemin could use LURE in national advertising, but that it must conspicuously include the following statement: “This product is not available in Georgia and Florida.”\(^{286}\)

The main objection to this type of approach stems from concerns of consumer confusion. A search performed using any of the various search engines could bring up both concurrent users and effectively push one concurrent user out of the market.\(^{287}\) A consumer may also assume that the name of a business or product forms the basis of the domain name and merely type www.[trademark].com into the browser address bar, only to be led to a concurrent user (or an entirely different party altogether). A likelihood of confusion is the touchstone of trademark infringement, and allowing concurrent Internet use could lead to a situation where a

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284. *Id.* at 730–31.
285. *Id.* at 731.
286. *Id.* at 731–33. The court noted that to hold otherwise would “preclude Kemin from advertising in national publications intended to reach the remaining 48 states in which it had a clear right to advertise.” *Id.* at 732.
confusingly similar trademark is used to market or advertise products in a jurisdiction where consumers cannot purchase those products.288

There is some merit to this type of objection. One of the critical factors in analyzing a likelihood of confusion is the degree of sophistication of the relevant consumers. Confusion is more likely where an average, unsophisticated consumer is involved, because that person will not exercise a high degree of care in making a purchase.289 Several jurisdictions have described the typical Internet user as being the least sophisticated consumer possible.290 The Ninth Circuit, for example, has stated:

In the Internet context, in particular, entering a web site takes little effort—usually one click from a linked site or a search engine’s list; thus, Web surfers are more likely to be confused as to the ownership of a web site than traditional patrons of a brick-and-mortar store would be of a store’s ownership.291

However, this view is changing because consumer behaviors have also changed.292 Internet users are quickly becoming savvier when it comes to searching and shopping for goods and services on the Internet.293 Internet

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288. See, e.g., V & V Food Prods., Inc. v. Cacique Cheese Co., Inc., No. 86 C 8695, 2003 WL 255235, at *10 (N.D. Ill. Feb. 4, 2003). This may, of course, depend on the purpose and character of the website mentioned earlier in this Article. See discussion supra Section IV.A.


290. Compare GoTo.com, Inc. v. Walt Disney Co., 202 F.3d 1199, 1209 (9th Cir. 2000) (“Although the use of computers may once have been the exclusive domain of an elite intelligentsia, even modern-day Luddites are now capable of navigating cyberspace.”), and Ford Motor Co. v. Summit Motor Prods., Inc., 930 F.2d 277, 293 (3d Cir. 1991) (finding that “the standard of care to be exercised by the reasonably prudent purchaser will be equal to that of the least sophisticated consumer”), with Alta Vista v. Digital Equip. Corp., 44 F. Supp. 2d 72, 78 (D. Mass. 1998) (noting that individuals who use the Internet are sophisticated), and Toys “R” Us v. Feinberg, 26 F. Supp. 2d 639, 643 (S.D.N.Y. 1998) (“Consumers looking at defendants’ website are [Internet users and, presumably, sophisticated.”).


292. Scholars have suggested that “the Internet forces one to be more inquisitive and certain that the website found sells the items, or is the business sought.” Barrett, supra note 43, at 716.

293. Indeed, even courts that attribute low levels of sophistication to Internet users have noted that “[o]ur ever-growing dependence on the Web may force us eventually to evolve into increasingly sophisticated uses of the medium . . . .” GoTo.com, 202 F.3d at 1206.
users are adept at using search engines to locate things on the Internet. Indeed, the overwhelming majority of people using search engines find the information they are looking for. Courts have acknowledged that the increasing prevalence of an Internet-based marketplace is eroding the view that Internet users are unsophisticated purchasers who exercise a low degree of care.

Since the Internet is global in scope, Internet users encounter a plethora of products, services, and companies. Internet users are unlikely to assume that each website shown in their search results is relevant to the product it is trying to find. As noted in *Toyota Motor Sales v. Tabari*, Internet users “skip from site to site, ready to hit the back button whenever they’re not satisfied with a site’s contents.” They do not assume anything in particular about the source or sponsorship of a particular website until they browse that site. In some instances, separate and distinct websites dispel any possible confusion that might exist when parties use confusingly similar trademarks on the Internet. At least one court has suggested that common-law trademark owners “must develop ways to distinguish themselves on the Internet beyond resorting to trademark law.”

To the extent that an Internet user might be confused, this is likely not the type of actionable confusion that trademark law typically prohibits. Trademark law must absorb a certain amount of confusion in the Internet

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294. The Pew Research Center has consistently found that most Americans spent quite a bit of time using search engines, and the number of people using search engines has increased significantly. Kristen Purcell, Joanna Brenner & Lee Rainie, *Search Engine Use 2012: Summary of Findings*, PEW RESEARCH CENTER’S INTERNET & AMERICAN LIFE PROJECT, available at http://www.pewinternet.org/Reports/2012/Search-Engine-Use-2012/Summary-of-findings.aspx. In January of 2002, roughly half of all Americans used search engines. *Id.* Ten years later, that number grew to 73%. *Id.*

295. *Id.* (“91% of search engine users say they always or most of the time find the information that they are seeking when they use search engines.”).


297. *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1179 (9th Cir. 2010) (referring to this type of activity as “sensible agnosticism, not consumer confusion”).

298. *Id.*

299. *See, e.g.*, Tana v. Dantanna’s, 611 F.3d 767, 778 (11th Cir. 2010).


301. *See Lang v. Ret. Living Pub’g Co., Inc.*, 949 F.2d 576, 583 (2d Cir. 1991) (holding that trademark infringement precludes “mistaken purchasing decisions and not against confusion generally”).
context. It is not designed to protect a trademark owner’s right to be the only concurrent user whose website is listed in a search results list.

C. A PRAGMATIC EXAMPLE: COMMON-LAW TRADEMARK PROTECTION AND CONCURRENT USE IN AN INTERNET ENVIRONMENT

Applying the proposed tests to the earlier SHINY FITS hypothetical, it is necessary to first determine the territorial zone of protection established by each party. Assuming MidWest has territorial trademark rights in Iowa, Missouri, Kansas, and Nebraska, and Southern has territorial trademark rights in South Carolina based on brick-and-mortar sales and physical advertising in their respective locations, what is the impact of their simultaneous Internet use? Common law dictates that Southern, as the senior user, should be allowed to continue its use in South Carolina. However, Southern should be limited from extending its business, at the least, in Iowa, Missouri, Kansas, and Nebraska. The two proposed tests, the “lasting impression” test and the “concurrent-Internet-use doctrine,” can be used to fill in the gaps in the Internet context.

First, the “lasting impression” test can be used to determine the scope of common-law trademark protection in the remaining 45 states for Southern and/or MidWest. In determining whether either party has established common-law trademark rights, the court should consider evidence regarding:

1. the volume of sales in an area,
2. growth trends in that area,
3. the extent of these sales as a function of the total market,
4. dispersal of these sales points within a given area,
5. specific jurisdictional advertising,
6. the amount and manner of Internet advertising,
7. the length and manner of Internet presence,
8. the purpose and character of the Internet presence, and
9. the number of unique monthly Internet visitors.

302. Territorial zones must “accommodate reasonable intrusion when it becomes impracticable to exclude another lawful user.” Dudley, 883 F. Supp. 2d at 394.

303. See id. at 395. This may be complicated by the legal doctrine of initial interest confusion, in which infringement claims arise when there is temporary confusion that is alleviated before the consumer buys a product. While courts apply initial interest confusion in Internet cases, there is a growing sentiment that the doctrine should not apply on such a rapidly moving medium. See, e.g., Stacey L. Dogan & Mark A. Lemley, Trademark and Consumer Search Costs on the Internet, 41 HOUS. L. REV. 777 (2004). Such a wide-reaching analysis is beyond the scope of this Article and will be addressed in later work.

304. See supra Part I.
While this test will not allow Southern to establish nationwide common-law trademark rights in SHINY FITS merely by virtue of having an active Internet presence, the test is flexible enough to accommodate other Internet-based efforts to create goodwill on the part of either party.

Second, the “concurrent Internet use doctrine” can be used to discern whether the two companies can exist simultaneously on the Internet. Under this doctrine, both companies should be allowed to use the mark SHINY FITS to sell their products, subject to two conditions: (1) both trademark owners should conspicuously place a disclaimer on the relevant product or sales pages noting where their products are available (in the case of a limited territorial zone) or not available (in the case of advertising based on nationwide use or federal registration), and (2) use on the Internet should not be permitted to extend into another party’s territorial zone in bad faith. In this particular case, Southern would be precluded from selling in the states where MidWest has created common law rights and vice versa.305

The goal of common-law trademark protection is to recognize the goodwill built in the minds of consumers in a meaningful, lasting way, and these two tests will assist businesses, courts, and practitioners as they grapple with the modernization of the common law of trademarks.

V. CONCLUSION

The advent of the Internet has provided great benefits to both small and large businesses. It was previously impossible for almost any company to reach such a large customer segment without expending considerable time, energy, and resources. Today, however, is a new day, and trademark law must be revamped to accommodate such technological advancements. Early case law crafted a body of common law that has assisted businesses seeking to protect the goodwill created through trademark use in the marketplace.306 The common law, however, has not kept pace with the lightning speed of technological advancement. It has been slow to respond to the myriad questions that will only become more frequent as companies continue to enter cyberspace to transact business with customers at more rapid rates.307 The new approach will provide guidance to companies who use this

305. While this result may seem harsh, these are the consequences that arise when trademark owners do not avail themselves of federal registration mechanisms.
307. See, e.g., Harrods Ltd. v. Sixty Internet Domain Names, 302 F.3d 214, 234 n.9 (4th Cir. 2002); Allard Enters., Inc. v. Advanced Programming Res., 249 F.3d 564 (6th Cir. 2001).
electronic, borderless medium, both in terms of protecting trademarks and of subsequently sharing cyberspace with other companies, by providing clear frameworks that consider the nuances of the Internet environment. While questions still remain,308 this framework will provide immediate direction for courts struggling to reconcile history and technology, resulting in more certainty and efficiency for trademark holders, courts, and attorneys.

308. For example, this Article assumes that the Internet cannot be divided or compartmentalized into geographies. Future advancements may prove otherwise. In addition, this Article utilizes the term “use” with a certain amount of fluidity. The trademark use requirement has historically been under-analyzed by courts and may require significant reconsideration in light of the Internet. See generally Margreth Barrett, Internet Trademark Suits and the Demise of “Trademark Use,” 39 U.C. DAVIS L. REV. 371 (2006).